What does the future hold for Alaska?
Fiscal planning in the face of uncertainty

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Outline

1. General Overview
   - A short review of the last 6 months
   - What governs these changes?
   - Capital Spending

2. Alaska’s Economy
   - Overview of the sectors

3. Summary
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3. Summary
Oil Prices have dropped from more than 100 dollars per barrel in the summer of 2014 to between 45 and 50. The state’s fiscal situation has changed.
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Average vs Spot Price.

What do we make of this?

- North American Supply increased substantially over the last 4 years.
- The drop in oil prices was slow at first.
Average vs Spot Price.

What's on Everyone's Mind?

What governs these changes?

North American Supply increased substantially over the last 4 years.

The drop in oil prices was slow at first.
Shale Production

Bakken Region
Indicated change in oil production (Feb vs. Jan)
thousand barrels/day

Jan 1,282 Mbbl/d
Production from new wells
Legacy production change
Net change
Feb 1,306 Mbbl/d

+103
-79
+24
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State Govt Capital Appropriation: From Own Sources (Million 2015 $)

- GENERAL FUND
- OTHER
- GO BONDS

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund</th>
<th>Other</th>
<th>GO Bonds</th>
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<tbody>
<tr>
<td>2001</td>
<td>$500</td>
<td></td>
<td></td>
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<tr>
<td>2003</td>
<td>$800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$1,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$1,100</td>
<td></td>
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<tr>
<td>2013</td>
<td>$2,000</td>
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<tr>
<td>2015</td>
<td>$600</td>
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</table>
Mouhcine, Guettabi  Alaska Economic Outlook

Cash on the street vs. Appropriation

STATE CAPITAL APPROPRIATIONS:
SPENDING TIME LAG

<table>
<thead>
<tr>
<th>Fiscal Year After Appropriation</th>
<th>Share Spent</th>
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<tbody>
<tr>
<td>0</td>
<td>10%</td>
</tr>
<tr>
<td>1</td>
<td>12%</td>
</tr>
<tr>
<td>2</td>
<td>16%</td>
</tr>
<tr>
<td>3</td>
<td>14%</td>
</tr>
<tr>
<td>4</td>
<td>12%</td>
</tr>
<tr>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>6</td>
<td>8%</td>
</tr>
</tbody>
</table>
Overall construction spending is forecast to be **8.5 billion dollars**.
Alaska’s Economy may be divided into **basic** and **support industries**.

- **Oil and Seafood** are basic industries because they sell products to markets outside Alaska.
- **Tourism** is a basic industry because tourists spend money in Alaska.
- **The federal government** is a basic industry because the federal government injects money in Alaska.
Overall Assessment (1985 Versus 2015)

How does the economy compare to that of 1985?

- The economy, measured by jobs, is about 50 percent larger than it was in 1985.
- Several industries (mining, tourism, air cargo) are considerably larger.
- PF dividend is three times the size it was then.
- Assets have increased in value.
- Federal payments to individuals have also risen.
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Slowdown in Job Growth over the last two years

*Preliminary  **Forecast
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section
For the second straight year, outmigration has exceeded inmigration.
### General Overview

**Alaska's Economy**

**Overview of the sectors**

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### Role of Government

**State and Local Government Employment and Wages & Salaries, by Borough/Census Areas, 2013**

<table>
<thead>
<tr>
<th>Borough/Census Area</th>
<th>Annual Average Employment</th>
<th>Wages and Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>State gov't</td>
</tr>
<tr>
<td>Alaska</td>
<td>335,366</td>
<td>26,276</td>
</tr>
<tr>
<td>Juneau City and Borough</td>
<td>18,086</td>
<td>4,273</td>
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<tr>
<td>Fairbanks North Star Borough</td>
<td>38,859</td>
<td>5,472</td>
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<tr>
<td>Ketchikan Gateway Borough</td>
<td>7,466</td>
<td>692</td>
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<tr>
<td>Sitka City and Borough</td>
<td>4,447</td>
<td>363</td>
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<tr>
<td>Anchorage Municipality</td>
<td>155,720</td>
<td>10,740</td>
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<tr>
<td>Valdez-Cordova Census Area</td>
<td>4,867</td>
<td>333</td>
</tr>
<tr>
<td>Matanuska-Susitna Borough</td>
<td>21,400</td>
<td>1,423</td>
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<tr>
<td>Nome Census Area</td>
<td>3,877</td>
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<tr>
<td>Kenai Peninsula Borough</td>
<td>20,704</td>
<td>1,253</td>
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<tr>
<td>Yakutat City and Borough</td>
<td>312</td>
<td>16</td>
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<tr>
<td>Yukon-Koyukuk Census Area</td>
<td>2,429</td>
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<tr>
<td>Bethel Census Area</td>
<td>7,012</td>
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<tr>
<td>Southeast Fairbanks CA</td>
<td>2,482</td>
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<tr>
<td>Kodiak Island Borough</td>
<td>6,422</td>
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<td>Haines Borough</td>
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<tr>
<td>Dillingham Census Area</td>
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<tr>
<td>Wrangell City and Borough</td>
<td>859</td>
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<tr>
<td>Petersburg Borough</td>
<td>1,492</td>
<td>43</td>
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<tr>
<td>Northwest Arctic Borough</td>
<td>2,941</td>
<td>77</td>
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<tr>
<td>Bristol Bay Borough</td>
<td>1,380</td>
<td>28</td>
</tr>
<tr>
<td>Hoonah-Angoon Census Area</td>
<td>741</td>
<td>12</td>
</tr>
</tbody>
</table>

**Source:** Alaska Department of Labor and Workforce Development, Quarterly Census of Employment & Wages data.
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Oil and Gas

- Aging fields and more challenging extraction means more jobs.

![Graph showing workers needed to produce 1000 barrels per day from 1977 to 2012.](image)
Construction

- Third largest industry paying the second highest wages.
Healthcare

- An aging state means continued spending in this sector.
  - In 2013, the industry provided 37,242 jobs and had payroll of 1.85 billion dollars.
  - Medicaid expansion coupled with the changing demographics and the dispersed population indicate expenditure growth.
Government

- Most of 2015’s job losses will in the public sector which is expected to shrink by *800 jobs*.
  - Declines are slowing.
  - The federal government has led the pack in cuts.

*Preliminary **Forecast

*Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section*
Tourism

- The visitor dependent slice of the economy should fare well.
- As the rest of the country recovers, more disposable income means more money to spend on travel.
Alaska is not expected to gain jobs in 2015, as the state faces downward pressure from low oil prices and tightened government budgets.

The sky is not falling but belt tightening is inevitable.

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Thank You

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